

DORCHESTER MINERALS LP  
Form DEF 14A  
March 08, 2007

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**DORCHESTER MINERALS, L.P.**

(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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No fee required.

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(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**DORCHESTER MINERALS, L.P.**

**3838 Oak Lawn Avenue, Suite 300**

**Dallas, Texas 75219-4541**

**March 30, 2007**

**To our fellow Unitholders:**

We are pleased to report to you the results of our partnership for fiscal year 2006, during which we:

Recorded Total Net Income of \$50.2 million

Distributed \$70.7 million to our limited partners

Identified 377 new wells located in 12 states on our Royalty Properties

Identified 35 new wells located in seven states on our Net Profits Interest Properties

Consummated 76 leases of our mineral interest in undeveloped properties located in 33 counties and parishes in seven states. Of particular note is the consummation of a significant leasing transaction involving most of our undeveloped mineral interests located in the Fayetteville Shale trend of Northern Arkansas. In addition to receiving a \$6.1 million lease bonus payment and a 25% royalty on our interest in approximately 19,600 gross acres of this play, we obtained an option to participate, through our Net Profits Interest agreements, in most of the exploitation and development activity on these lands. Additional information concerning this transaction and activity to date on these lands may be found in our Annual Report.

I am privileged to be associated with a fine and dedicated group of colleagues and Board members. Our activity level during 2006, as evidenced by the brisk pace of leasing and drilling, called for significant efforts by these professionals whom I thank for their contributions to these and all of our partnership's successes.

The enclosed Annual Report on Form 10-K includes information about activity on our Royalty Properties and Net Profits Interests. We encourage you to read this information and to contact us with any questions about your investment. In addition, the enclosed Proxy Statement contains important information concerning matters to be voted upon at our 2007 Annual Meeting. Please read the Proxy Statement and submit your vote at your earliest convenience.

We thank you for your continued support.

**Very truly yours,**

**William Casey McManemin  
Chief Executive Officer**

**DORCHESTER MINERALS, L.P.**

**3838 Oak Lawn Avenue, Suite 300**

**Dallas, Texas 75219-4541**

**NOTICE OF ANNUAL MEETING OF LIMITED PARTNERS**

**To Be Held on May 16, 2007**

To the Unitholders of Dorchester Minerals:

The Annual Meeting of the Limited Partners of Dorchester Minerals, L.P. will be held at 10:00 a.m. Central Time on Wednesday, May 16, 2007, at The Dallas Petroleum Club, 2200 Ross Avenue, 39<sup>th</sup> Floor, Dallas, Texas 75201, for the following purposes:

1. To elect three managers who will serve on the Board of Managers and be appointed to the Advisory Committee until the 2008 Annual Meeting of Limited Partners;
2. To consider any other matters that may properly come before the meeting.

Only holders of record of common units as of the close of business on March 21, 2007 are entitled to notice of, and to vote at, the meeting.

**YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON, WE URGE YOU TO VOTE USING ONE OF THE VOTING METHODS DESCRIBED IN THE ATTACHED MATERIALS AT YOUR EARLIEST CONVENIENCE.**

By Order of the Board of Managers of

Dorchester Minerals Management GP LLC,

/s/ William Casey McManemin

William Casey McManemin

Chief Executive Officer

March 30, 2007

**DORCHESTER MINERALS, L.P.**

**3838 Oak Lawn Avenue, Suite 300**

**Dallas, Texas 75219-4541**

**PROXY STATEMENT**

**For**

**ANNUAL MEETING OF LIMITED PARTNERS**

**To Be Held on May 16, 2007**

**SOLICITATION OF PROXIES**

This Proxy Statement is being furnished to holders of common units in connection with the solicitation of proxies by our Board of Managers for use at the Dorchester Minerals, L.P. 2007 Annual Meeting. Our general partner is Dorchester Minerals Management LP, and its general partner is Dorchester Minerals Management GP LLC. As a result, the Board of Managers of Dorchester Minerals Management GP LLC exercises effective control of us. Dorchester Minerals Management LP is referred to herein as our general partner and Dorchester Minerals Management GP LLC is referred to herein as the general partner of our general partner. The approximate date on which definitive copies of this proxy statement and form of proxy are intended to be released to Unitholders is March 30, 2007.

**WHEN AND WHERE IS THE 2007 ANNUAL MEETING?**

The 2007 Annual Meeting will be held at 10:00 a.m. Central Time on Wednesday, May 16, 2007, at The Dallas Petroleum Club, 2200 Ross Avenue, 39<sup>th</sup> Floor, Dallas, Texas 75201.

**WHAT IS THE BOARD OF MANAGERS PROPOSAL?**

To elect three managers who will serve on the Board of Managers and be appointed to the Advisory Committee.

**HOW DOES THE BOARD OF MANAGERS RECOMMEND I VOTE ON THE PROPOSAL?**

The Board of Managers recommends a vote FOR each of the nominees to serve on the Board of Managers and Advisory Committee.

**HOW WILL VOTING ON ANY OTHER BUSINESS BE CONDUCTED?**

The Board of Managers does not know of any business to be considered at the 2007 Annual Meeting other than the proposal described in this Proxy Statement. However, if any other business is properly presented, your signed proxy card gives authority to the persons named in the proxy to vote on these matters at their discretion.

**WHO IS ENTITLED TO VOTE?**

Each Unitholder as of the close of business on March 21, 2007, the record date, is entitled to vote at the 2007 Annual Meeting.

**HOW MANY UNITS MAY BE VOTED?**

As of the record date, 28,240,431 units were outstanding. Each unit entitles its holder to one vote.

WHAT IS A QUORUM ?

A quorum is a majority of the outstanding units represented in person or by proxy at the 2007 Annual Meeting. There must be a quorum for the 2007 Annual Meeting to be held. If you submit a properly executed proxy card, you will be considered part of the quorum.

WHAT VOTE IS REQUIRED TO APPROVE THE PROPOSAL?

The affirmative vote of holders of a plurality of the outstanding units is required to elect each manager to the Board of Managers. Thus, any abstentions, broker non-votes (units held by brokers or nominees as to which they have no discretionary authority to vote on a particular matter and have received no instructions from the beneficial owner or person entitled to vote thereon) or other limited proxies will have no effect on the outcome for the proposal.

HOW DO I VOTE?

You may vote by any one of three different methods:

- (a) In Writing. You can vote by marking, signing and dating the enclosed proxy card and returning it in the enclosed envelope. If you return your signed proxy card but do not give instructions as to how you wish to vote, your units will be voted FOR the proposal.
- (b) By Telephone. You can vote by calling the telephone number on the proxy card and following the instructions. Please have the proxy card in hand when calling.
- (c) In Person. You can vote by attending the 2007 Annual Meeting.

Units represented by properly executed proxies that are not revoked will be voted in accordance with the instructions shown on the proxy card. You have the right to revoke your proxy at any time before the 2007 Annual Meeting by:

- (a) Delivering to Dorchester Minerals, L.P., Attn: 2007 Annual Meeting, 3838 Oak Lawn Avenue, Suite 300, Dallas, Texas, 75219-4541, a written revocation;
- (b) Voting in person at the 2007 Annual Meeting; or
- (c) Returning a later-dated proxy card.

Attendance at the 2007 Annual Meeting will not, without further action by you, revoke your proxy.

Unitholders have no dissenters' rights or rights of appraisal under Delaware law or our Amended and Restated Agreement of Limited Partnership.

WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE PROXY CARD?

If your units are registered differently and/or are in more than one account, you will receive more than one proxy card. Please mark, sign, date and return all of the proxy cards you receive to ensure that all of your units are voted. We encourage you to have all accounts registered in the same name and address (whenever possible). You can accomplish this by contacting our transfer agent, American Stock Transfer & Trust Company, at (800) 937-5449.

HOW CAN I VOTE IF MY UNITS ARE HELD IN STREET NAME ?

If your units are held in the name of your broker, a bank, or other nominee, that party will give you instructions about how to vote your units.

WHO WILL COUNT THE VOTES?

Representatives of American Stock Transfer & Trust Company, our transfer agent and an independent tabulator, will count the votes and act as the inspector of election.

WHERE AND WHEN WILL I BE ABLE TO FIND OUT THE RESULTS OF VOTING?

In addition to announcing the results at the 2007 Annual Meeting, you will also be able to find the results in our Form 10-Q for the second quarter of fiscal 2007.

WHO IS BEARING THE COST OF THIS PROXY SOLICITATION?

We are bearing the cost of soliciting proxies for the 2007 Annual Meeting. In addition to using the mail, managers, officers and employees may solicit proxies by telephone, personal interview or otherwise. They will not receive additional compensation for this activity, but may be reimbursed for their reasonable out of pocket expenses. We will reimburse brokerage houses and other custodians, nominees and fiduciaries for reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to Unitholders.

WILL THE INDEPENDENT ACCOUNTANTS ATTEND THE 2007 ANNUAL MEETING?

Representatives of Grant Thornton LLP, our independent accountants for the fiscal year ended December 31, 2006, will attend the 2007 Annual Meeting, will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

HOW CAN I OBTAIN A COPY OF THE ANNUAL REPORT ON FORM 10-K?

A copy of our 2006 Annual Report on Form 10-K, including the financial statements filed therewith is included with this proxy statement. We will provide an additional copy of our 2006 Annual Report on Form 10-K, including the financial statements, upon written request to Dorchester Minerals, L.P., Attn: 2007 Annual Meeting, 3838 Oak Lawn Avenue, Suite 300, Dallas, Texas 75219-4541. We will furnish a requesting Unitholder with any exhibit not contained therein upon payment of a reasonable fee.

WHEN ARE THE UNITHOLDER PROPOSALS FOR THE 2008 ANNUAL MEETING OF LIMITED PARTNERS DUE?

We presently expect that our next Annual Meeting of Limited Partners will be held on May 14, 2008. Unitholder proposals for inclusion in the proxy materials relating to the 2008 Annual Meeting must be received at our principal executive office at 3838 Oak Lawn Avenue, Suite 300, Dallas, Texas 75219-4541, addressed to our general partner no later than December 1, 2007. In accordance with our Amended and Restated Agreement of Limited Partnership, Unitholders who intend to present a proposal at the 2008 Annual Meeting without inclusion of such proposal in our proxy materials are required to provide notice of such proposal to us no later than March 15, 2008 and Unitholders who intend to nominate a manager for election to the Board of Managers and Advisory Committee are required to provide notice of such proposal to us no later than February 14, 2008. If the date of the 2008 Annual Meeting is changed to a different month, we will advise our Unitholders of the new date for the submission of Unitholder proposals in one of our periodic filings with the Securities and Exchange Commission.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our common units as of March 7, 2007. The information is set forth for (i) each appointed manager and named executive officer of the general partner of our general partner, (ii) all executive officers and appointed managers of the general partner of our general partner as a group, and (iii) all those known by us to be beneficial owners of more than 5% of our common units.

Name of Beneficial Owner	Beneficial Ownership (1) Number of Units	Percentage
Named Executive Officers and Managers (2)		
William Casey McManemin (3)	1,197,527	4.2%
James E. Raley (4)	14,706	*
H.C. Allen, Jr. (5)	172,555	*
Preston A. Peak (6)	1,577,412	5.6%
Robert C. Vaughn (7)	504,748	1.8%
Buford P. Berry (8)	0	N/A
Rawles Fulgham (9)	180	*
C.W. (Bill) Russell (10)	4,000	*
All executive officers and managers as a group (8 persons) (11)	3,408,373	12.1%
Holders of 5% or More Not Named Above		
Energy Trust LLC (12)	7,677,085	27.2%

\* Less than one percent (1%).

(1) As of record date, there were 28,240,431 common units outstanding.

(2) Unless otherwise indicated, the business address of each manager and executive officer of the general partner of our general partner is c/o Dorchester Minerals Management GP LLC, 3838 Oak Lawn Avenue, Suite 300, Dallas, Texas 75219-4541.

(3) Includes 157,573 units held by Mr. McManemin, 58,407 units held by 1307, Ltd., 5,531 units held by SAM Partners Management, Inc., 922,792 units held by Red Wolf Partners, and 53,224 units held by Smith Allen Oil & Gas, Inc. Mr. McManemin disclaims beneficial ownership of those common units owned by 1307, Ltd., SAM Partners Management, Inc., Red Wolf Partners, and Smith Allen Oil & Gas, Inc. in which he does not have an economic interest but which he may be deemed to beneficially own based on shared voting and investment power. Mr. McManemin is individually a general partner, is the President of the other general partner and is a limited partner of 1307, Ltd. All of the remaining limited partner interest of 1307, Ltd. is owned by Mr. McManemin's wife and minor children. Mr. McManemin is the Vice President and a shareholder of SAM Partners Management, Inc. and Smith Allen Oil & Gas, Inc. Mr. McManemin is the managing general partner of Red Wolf Partners.

(4) All of the units beneficially owned by Mr. Raley are held by the Linda S. Raley Residuary Trust of which he is the trustee.

(5) Includes 113,800 units held by Mr. Allen, 5,531 units held by SAM Partners Management, Inc. and 53,224 units held by Smith Allen Oil & Gas, Inc. Mr. Allen disclaims beneficial ownership of those common units owned by SAM Partners Management, Inc. and Smith Allen Oil & Gas, Inc. in which he does not have an economic interest but which he may be deemed to beneficially own based on shared voting and investment power. Mr. Allen is the Secretary and a shareholder of SAM Partners Management, Inc. and Smith Allen Oil & Gas, Inc.

(6) Includes 358,486 units held by the Preston A. Peak FBO Martha Ann Peak Trust, 358,554 units held by the PA Peak Trust for Mary Lee Peak, 358,482 units held by the PA Peak Trust for Margaret J. Peak, 12,179 units held by 4MP Corp, 488,711 units held by the Peak Revocable Living Trust and 1,000 units held by Hugoton Nominee, Inc. Mr. Peak disclaims beneficial ownership of those common units owned by the Preston A. Peak FBO Martha Ann Peak Trust, the PA Peak Trust for Mary Lee Peak, the P A Peak Trust for



- Margaret J. Peak, 4MP Corp, the Peak Revocable Living Trust and Hugoton Nominee, Inc. in which he does not have an economic interest but which he may be deemed to beneficially own based on shared voting and investment power. Mr. Peak is the trustee of the Preston A. Peak FBO Martha Ann Peak Trust, the PA Peak Trust for Margaret J Peak and the PA Peak Trust for Mary Lee Peak. Mr. Peak and his spouse are the beneficiaries of the Peak Revocable Living Trust and Mr. Peak is the trustee of the Peak Revocable Living Trust. The Peak Revocable Living Trust is the shareholder of 4MP Corp. The Peak Revocable Living Trust is also the shareholder of Hugoton Nominee, Inc.
- (7) Includes 465,300 units held by RCV, Ltd., 9,861 units held by the Jack C. Vaughn, Jr. Trust, 9,862 units held by the Robert C. Vaughn Trust, 9,863 units held by the Sharon E. Vaughn Trust and 9,862 units held by the David C. Vaughn Trust. Mr. Vaughn disclaims beneficial ownership of those common units owned by the Jack C. Vaughn, Jr. Trust, the Robert C. Vaughn Trust, the Sharon E. Vaughn Trust, and the David C. Vaughn Trust, in which he does not have an economic interest but which he may be deemed to own based on shared voting and investment power. Mr. Vaughn and his wife are the only partners of the general partnership that owns all the partnership interests in RCV, Ltd. Mr. Vaughn is a co-trustee of the Jack C. Vaughn, Jr. Trust, the Robert C. Vaughn Trust, the Sharon E. Vaughn Trust and the David C. Vaughn Trust.
  - (8) The business address for Mr. Berry is 1700 Pacific Avenue, Suite 3300, Dallas, Texas 75201.
  - (9) The business address for Mr. Fulgham is 4414 Lorraine Avenue, Dallas, Texas 75205. Includes 180 common units held in an Individual Retirement Account for the benefit of Mr. Fulgham.
  - (10) The business address for Mr. Russell is 4695 N FM 2869, Winnsboro, Texas 75494. Includes 4,000 common units held in an Individual Retirement Account for the benefit of Mr. Russell.
  - (11) Pursuant to Instruction 5 to Item 403 of Regulation S-K, the 5,531 units owned by SAM Partners Management, Inc. and the 53,224 units owned by Smith Allen Oil & Gas, Inc. included in the beneficial ownership of both Mr. McManemin and Mr. Allen are only included once in this total.
  - (12) The business address of Energy Trust LLC, is 551 Fifth Avenue, 37th Floor, New York, New York, 10176. Energy Trust LLC reported on their Amendment No. 3 to Schedule 13-G filed on January 26, 2007 that it is the investment advisor to various pension funds that beneficially own the securities and Energy Trust LLC has sole voting and dispositive power over such securities. Energy Trust LLC exercises its voting and dispositive powers on behalf of each pension fund separately pursuant to its fiduciary duties to such pension fund as its investment advisor. Energy Trust LLC exercises voting and dispositive power over 7,677,085 of our common units, in the aggregate, on behalf of the pension funds, which represents 27.2% of our outstanding common units. Each pension fund has the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the securities it beneficially owns. Mellon Trust of New England, N.A., as trustee for the Lucent Technologies Inc. Master Pension Trust, and Fano & Co., nominee for the JP Morgan Chase Bank, N.A., as trustee for the Long Term Investment Trust, each have an interest that relates to more than five percent of the common units. On November 27, 2006, each of the various pension funds notified the Securities and Exchange Commission of their intent to sell in aggregate up to 280,000 common units in accordance with Rule 144. Although each of the various pension funds are required to notify the Securities and Exchange Commission of their intention to sell, only one of the pension funds is required to report on Form 4 the sales that have taken place.

#### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our managers, officers and persons who own more than 10% of our common units to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of common units. Managers, officers and 10% holders of the common units are required by Securities and Exchange Commission rules and regulations to furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on a review of the copies of such reports furnished to us and representations that no other reports were required, all Section 16(a) filing requirements applicable to our managers, officers and 10% holders were met.

## PARTNERSHIP GOVERNANCE

Our business and affairs are managed by and under the direction of the Board of Managers, which exercises all our corporate powers and establishes broad corporate policies. The Board of Managers consists of five managers appointed by the five members of the general partner of our general partner and three additional managers nominated by these members and elected annually by our limited partners. The elected managers, as a group, must meet the requirements of our Amended and Restated Agreement of Limited Partnership and the Securities and Exchange Commission and Nasdaq Global Market ( NASDAQ ) rules for members of an audit committee.

Messrs. Allen, McManemin, Peak, Raley and Vaughn are the five managers appointed by the members of the general partner of our general partner and will hold office until the earlier of their death, resignation or removal from office. In the event of any vacancy on the Board of Managers left by an appointed manager, the member who holds the right to appoint the appointed manager will designate the replacement appointed manager, unless the member who otherwise holds the right to appoint the replacement appointed manager has lost his appointment right.

Messrs. Berry, Fulgham and Russell are the three managers that currently occupy the three manager spots up for election at the 2007 Annual Meeting. Messrs. Berry, Fulgham and Russell are the three managers nominated by the members of the general partner of our general partner to stand for election to the Board of Managers at the 2007 Annual Meeting.

In the opinion of the Board of Managers, and as independent currently is defined by the NASDAQ rules, assuming the three nominated managers are elected by the limited partners at the 2007 Annual Meeting, a majority of the Board of Managers after the 2007 Annual Meeting are and will be independent of management and free of any relationship that would interfere with their exercise of independent judgment. The Board of Managers has affirmatively determined that Messrs. Berry, Fulgham, Peak, Russell and Vaughn are independent. In addition to the NASDAQ independent rules, the Board of Managers has also affirmatively determined that Messrs. Berry, Fulgham, and Russell also satisfy the definition of independent prescribed by the Securities and Exchange Commission for members of an audit committee.

The Board of Managers held nine meetings in fiscal 2006. Each Manager attended at least 75% of the total number of meetings of the Board of Managers and of the committees of the Board of Managers on which such Manager served.

The Board of Managers strongly recommends each manager attend the 2007 annual meeting of our limited partners. All managers currently serving attended the 2006 annual meeting.

The Board of Managers has an Advisory Committee that consists of Messrs. Berry, Fulgham and Russell. The Advisory Committee functions as the audit committee and as the compensation committee. In addition the Advisory Committee addresses all matters concerning conflicts of interest and the application of the Business Opportunities Agreement. The Advisory Committee met five times during 2006.

The Board of Managers does not have a nominating committee or committee performing similar functions and has not adopted a resolution addressing the nominations process. This arrangement is appropriate as the nominations for all managers are made by the members of the general partner of our general partner. Messrs. McManemin, Raley, Allen, Vaughn and Peak all participate in the consideration of nominees for the Board of Managers in their capacities as officers and/or managers of the members of the general partner of our general partner. The Board of Managers has not adopted a resolution addressing the nominations process as the general partner of our general partner is legally required to provide its members with the ability to nominate managers.

The Board of Managers does provide a process for Unitholders to send communications to it. Unitholders may contact each member of the Board of Managers in writing at their respective business addresses. See Security Ownership of Certain Beneficial Owners and Management.

Our partnership adopted our Code of Business Conduct and Ethics on July 17, 2003. The Board of Managers reviewed the Code of Business Conduct and Ethics in 2006 for adequacy and was satisfied therewith. The Code of Business Conduct and Ethics applies to all officers, managers, advisors and employees of our partnership and its affiliates. Upon written request, we will provide any person, without charge, a copy of the Code of Business Conduct and Ethics. Written requests should be sent to Dorchester Minerals, L.P., Attn: Annual Report, 3838 Oak Lawn Avenue, Suite 300, Dallas, Texas 75219-4541.

#### ADVISORY COMMITTEE

In their service as the Audit Committee, the members of the Advisory Committee assist the Board of Managers in fulfilling its oversight responsibilities relating to our financial statements and other financial information; compliance with applicable laws, regulations and our code of conduct; independence and qualifications of the independent auditor; management's establishment of and adherence to a system of internal accounting and disclosure controls; and the performance of the internal audit function and independent auditors. The Advisory Committee is empowered to investigate any matter brought to its attention with full access to all our books, records, facilities and personnel and may retain outside counsel, auditors or other experts to assist it. Our Board of Managers has adopted a written charter for the Advisory Committee in its service as the Audit Committee specifying its purpose of overseeing the accounting and financial reporting processes, a copy of which is attached as Exhibit A. The charter is reviewed periodically to ensure that it meets all applicable legal and NASDAQ listing requirements. As interpreted in the Board of Managers' business judgment, assuming the three nominated managers are elected by the limited partners at the 2007 Annual Meeting, each member of the Audit Committee is financially literate and Mr. Fulgham, in addition to other members of the Advisory Committee, possesses accounting or related financial management expertise. None of the members of the Advisory Committee has participated in the preparation of our financial statements in the previous three years.

In their service as the Compensation Committee, the members of the Advisory Committee exercise the power of the Board of Managers in connection with all matters relating to compensation of executive officers. All determinations concerning executive compensation for our officers are made by the Advisory Committee as provided in our agreements of the general partner and the general partner of our general partner. Director compensation is approved by the Board of Managers. Because of the simple remuneration for the services our officers and Managers, the Advisory Committee does not delegate or use consultants in determining and considering amounts or form of compensation and has not adopted a Compensation Committee charter.

#### COMPENSATION DISCUSSION AND ANALYSIS

Our executive officers are not paid any compensation for their services as officers of our Partnership, however, they generally serve in the same capacities for our general partner, the general partner of our general partner and for the operating partnership of our general partner and are compensated by the operating partnership for their service in those capacities. Such compensation is borne indirectly by us as a result of our obligation to reimburse our general partner and the operating partnership for management expenses, subject to the limitation on reimbursement.

Each of our Appointed Managers is associated with one or more of the five members of our general partner. Each owner of our general partner receives a portion of the cash flow generated by our activities and those of the operating partnership as set forth in the agreement of the general partner of our general partner. Three of our Appointed Managers also serve as officers. The incentives to each of our Appointed Managers come solely from a portion of the cash flow generated and their individual holdings of publicly traded units in our partnership. The additional amount paid to each of the officers by the operating partnership as compensation is in recognition of their service provided in managing the day to day affairs necessary to our partnership and the operating partnership. This arrangement has been in place since we began operations on January 31, 2003 and each officer has received the same \$96,000 annual salary from our operating partnership since then. At this time, there are no other objectives, designs or elements of our compensation program, except recognition of management services

provided. In the event we have new officers that are not also associated with the owners of our general partner or otherwise not holders of significant amounts of our units, our compensation may then require such programs.

The compensation policy occasionally contemplates performance-based cash bonuses, the amount of which will be determined based on the contribution of the executive officer and the benefit to the Partnership of the contribution of the executive officer.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	All Other Compensation <sup>(1)</sup> (\$)	Total (\$)
William Casey McManemin Chief Executive Officer	2006	\$ 96,000		\$ 14,400	\$ 110,400
	2005	\$ 96,000		\$ 14,400	\$ 110,400
	2004	\$ 96,000		\$ 14,400	\$ 110,400
H.C. Allen, Jr. Chief Financial Officer	2006	\$ 96,000		\$ 14,400	\$ 110,400
	2005	\$ 96,000		\$ 14,400	\$ 110,400
	2004	\$ 96,000		\$ 14,400	\$ 110,400
James E. Raley Chief Operating Officer	2006	\$ 96,000		\$ 14,400	\$ 110,400
	2005	\$ 96,000		\$ 14,400	\$ 110,400
	2004	\$ 96,000		\$ 14,400	\$ 110,400

<sup>(1)</sup> Compensation for SEP-IRA contributions. Applies equal percentage to all operating partnership employees.

COMPENSATION COMMITTEE REPORT

The Advisory Committee has reviewed and discussed the Compensation Discussion and Analysis with management and based on that review and discussion recommends to the Board of Managers its inclusion in the Proxy Statement for the 2007 Annual Meeting.

March 6, 2007

Rawles Fulgham

C.W. (Bill) Russell

Buford P. Berry

REPORT OF THE AUDIT COMMITTEE

As members of the Audit Committee of the Board of Managers, we are responsible for helping to ensure the reliability of the Partnership's financial statements. In keeping with this goal, the Board of Managers has adopted a written charter for the Audit Committee to follow. The Audit Committee reviewed and reassessed the charter's adequacy on March 6, 2007.

*Independence of Audit Committee Members.* All of the members of the Audit Committee are independent as defined by Rule 4200(a)(15) of the NASD Manual and the most recent interpretations of those standards.

*Review and Discussions.* The Audit Committee has reviewed and discussed the Partnership's audited financial statements with management. It has also discussed with the independent auditors the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU § 380). Additionally, the Audit Committee has received the written disclosures and the letter from the independent accountants at Grant Thornton LLP, as required by Independent Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and has discussed with the independent accountants their independence.

*Recommendation to Include Audited Financial Statements in Annual Report.* Based on the Audit Committee's discussions with management and the independent accountants, and its review of the representation of management and the report of the independent accountants to the Audit Committee, the Audit Committee recommended that the Board of Managers include the audited consolidated financial statements in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2006 filed with the Securities and Exchange Commission.

March 6, 2007

Rawles Fulgham

Buford P. Berry

C.W. ( Bill ) Russell

COMPENSATION OF DIRECTORS

Appointed Managers receive no remuneration for serving on the Board of Managers, but each member of the Advisory Committee received an annual retainer fee of \$35,000 during 2006 and will receive \$35,000 during 2007. In addition, members of the Advisory Committee receive \$1,500 for each meeting of any special committees. In 2006, one special committee meeting was held.

Name	2006	2006
	Fees Earned or Paid in Cash (\$)	Total (\$)
Rawles Fulgham	\$ 36,500	\$ 36,500
Buford P. Berry	\$ 36,500	\$ 36,500
C.W. ( Bill ) Russell	\$ 36,500	\$ 36,500

## AUDIT AND NON-AUDIT FEES OF ACCOUNTANTS

The following table sets forth the aggregate fees billed to us for the fiscal years 2005 and 2006 by Grant Thornton LLP, our independent auditors.

	2005	2006
AUDIT FEES	\$ 250,077	\$ 120,700
AUDIT-RELATED FEES		
TAX FEES		
ALL OTHER FEES		

The Advisory Committee has adopted procedures for pre-approving all audit and permitted non-audit services provided by our independent auditor. Part of this approval process includes making a determination on whether non-audit services are consistent with the Securities and Exchange Commission's rules on auditor independence. The Advisory Committee periodically monitors the services rendered and actual fees paid to the independent auditors to ensure such services are within the parameters approved.

## SELECTION OF INDEPENDENT PUBLIC ACCOUNTANTS

The Audit Committee has not selected and appointed independent auditors for the fiscal year ending December 31, 2007. Discussions with Grant Thornton LLP, our independent auditors for the fiscal year ending December 31, 2006, will be initiated in the near future regarding our selection of independent auditors for 2007.

## EXECUTIVE OFFICERS AND MEMBERS OF THE BOARD OF MANAGERS

*William Casey McManemin*, age 46, has served as Chief Executive Officer and as a manager of Dorchester Minerals Management GP LLC, and as Chief Executive Officer of Dorchester Minerals Operating GP LLC and Dorchester Minerals since 2001. He received his Bachelor of Science degree in Petroleum Engineering from Texas A&M University in 1984.

*H.C. Allen, Jr.*, age 67, has served as Chief Financial Officer and as a manager of Dorchester Minerals Management GP LLC, and as Chief Financial Officer of Dorchester Minerals Operating GP LLC and Dorchester Minerals since 2001. He co-founded SASI Minerals Company, Republic Royalty Company, Spinnaker Royalty Company, L.P. and CERES Resource Partners, LP with Mr. McManemin in 1988, 1993, 1996 and 1998, respectively. He received his Bachelor of Business Administration degree from the University of Texas in 1962, his Master of Business Administration degree from the University of North Texas in 1963.

*James E. Raley*, age 67, has served as Chief Operating Officer and as a manager of Dorchester Minerals Management GP LLC, and as Chief Operating Officer of Dorchester Minerals Operating GP LLC and Dorchester Minerals since 2001. He had served as a general partner of Dorchester Hugoton since 1990. Mr. Raley previously served as an independent consulting engineer since 1984. Prior to 1984, Mr. Raley was President of Dorchester Gas Producing Company and Senior Vice President of Dorchester Gas Corporation. He received a Bachelor of Science degree in Mechanical Engineering from Texas Tech University in 1962. Mr. Raley has been a Registered Professional Engineer in Texas since 1969.

*Preston A. Peak*, age 84, has served as a manager of Dorchester Minerals Management GP LLC since 2001. Mr. Peak co-founded Dorchester Hugoton and was a general partner since 1982. He holds a Bachelor of Science degree from the U.S. Naval Academy and a Master of Business Administration degree from the Wharton School of the University of Pennsylvania. From 1954 until 1984 he served Dorchester Gas Corporation in various financial capacities, including Vice Chairman. Mr. Peak previously served on the boards of directors of each of Kaneb Services, Inc. and Kaneb Pipe Line Partners, L.P.

*Robert C. Vaughn*, age 51, has served as a manager of Dorchester Minerals Management GP LLC since 2001. Mr. Vaughn has served in various capacities with Vaughn Petroleum, LLC, and affiliated entities since 1979, including as Chairman, President and Chief Executive Officer. He co-founded Republic Royalty Company in 1993 and Dorchester Minerals, L.P. in 2003. He received his Bachelor of Business Administration from the University of Texas at Austin. He currently serves on the Board of Trustees of the Culver Educational Foundation and the Development Board of The University of Texas at Austin.

**ELECTION OF MANAGERS TO THE BOARD OF MANAGERS**

**WHO WILL BE APPOINTED TO THE ADVISORY COMMITTEE**

**(PROPOSAL NO. 1 ON THE PROXY CARD)**

Unitholders are entitled to elect three managers to the Board of Managers who will also be appointed to serve on the Advisory Committee. Nominations for the election of these managers listed below were made by the members of the general partner of our general partner and approved by its Board of Managers. If elected, all nominees are expected to serve until the 2008 Annual Meeting of Limited Partners or until their successors are duly elected.

**NOMINEES FOR ELECTION**

*Buford P. Berry*, age 71, has served as a manager and an Advisory Committee Member of Dorchester Minerals Management GP LLC since February 2003. He is currently of counsel to Thompson & Knight L.L.P., a Texas based law firm. Mr. Berry has been an attorney with Thompson & Knight L.L.P., serving in various capacities since 1963, including as Managing Partner from 1986 to 1998. He also currently serves on the Board of Directors of Holly Corporation. Mr. Berry previously served as a Vice Chairman of the Advisory Board of the Institute for Energy Law of the Center for American and International Law (formerly Southwestern Legal Foundation). He is a past Chairman of the Natural Resources Committee of the Taxation Section of the American Bar Association and past Chairman of the Southwestern Legal Foundation Oil and Gas Tax Institute. From 1958 to 1960, Mr. Berry served as a Lieutenant in the United States Naval Reserve. He received his Bachelor of Business Administration degree in 1958 and his Bachelor of Laws Degree in 1963, both from the University of Texas.

*Rawles Fulgham*, age 79, has served as a manager and an Advisory Committee Member of Dorchester Minerals Management GP LLC since February 2003. He served as a member of the Advisory Committee and the Audit Committee of Dorchester Hugoton from 1995 until January 2003. He also served as Chairman of the Board and Chief Executive Officer of Global Industrial Technologies, Inc. from July 1998 until January 2002. From 1982 until December 1998, Mr. Fulgham served as senior advisor of the Investment Banking Division of Merrill Lynch & Co. Prior to that, he was employed in various capacities by First National Bank in Dallas and its successor holding companies from 1954 until 1982. He was President and co-Chief Executive Officer of the First National Bank in Dallas, and subsequently, President of its successor holding companies. Mr. Fulgham has served on the boards of directors of BancTec, Inc., NCH Corporation, Dresser Industries, Inc. and as Chairman of the Board of Directors of the Children's Medical Center of Dallas. In addition, Mr. Fulgham also served as a member of the Executive Committee of President Reagan's Grace Commission. He received a Bachelor of Arts degree from the Virginia Military Institute, a Bachelor of Business Administration degree from Southern Methodist University and has also completed several graduate courses for a Masters of Business Administration. Mr. Fulgham served in the United States Marine Corps, attaining the rank of captain.

*C. W. Bill Russell*, age 65, has served as a manager and an Advisory Committee Member of Dorchester Minerals Management GP LLC since May 2004. Mr. Russell was employed by KPMG, LLP and predecessor firms from 1967 until his retirement in 1995. Elected as a partner in 1974, Mr. Russell concentrated in the field of energy taxation and served in various capacities at KPMG including as National Director, technical tax services energy and chairman of the KPMG International Petroleum Group. He co-authored *Income Taxation of Natural Resources*, from 1986 to 2000. He currently performs tax services and related accounting functions for independent oil and gas producers and individuals. Mr. Russell is a graduate of the University of Texas at Arlington and is a certified public accountant.

**THE BOARD OF MANAGERS RECOMMENDS THAT UNITHOLDERS VOTE FOR THE ELECTION OF EACH OF THE BOARD OF MANAGERS NOMINEES.**



OTHER MATTERS

The Board of Managers does not intend to present any other matters at the 2007 Annual Meeting and knows of no other matters which will be presented. However, if any other matters come before the 2007 Annual Meeting, it is the intention of the persons named in the enclosed proxy to vote in accordance with their judgment on such matters.

By Order of the Board of Managers of Dorchester Minerals Management GP LLC,

/s/ William Casey McManemin  
William Casey McManemin  
Chief Executive Officer

March 30, 2007

**CHARTER****AUDIT COMMITTEE OF THE BOARD OF MANAGERS****DORCHESTER MINERALS, L.P.**

- I. *Composition of the Audit Committee:* The Audit Committee shall be comprised of at least three managers, each of whom shall not be an officer or employee of Dorchester Minerals, L.P. (the Company) or its subsidiaries and shall be independent and experienced (subject to certain exceptions) in accordance with the applicable membership requirements under the rules of the National Association of Securities Dealers, Inc., Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the rules and regulations of the Securities and Exchange Commission (the Commission), as such requirements are interpreted by the Board of Managers in its business judgment. All members of the Audit Committee should be able to read and understand financial statements and at least one member of the Audit Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication (including being or having been a chief executive officer, chief financial officer, or other senior officer with financial oversight responsibilities). No member of the Audit Committee shall have participated in the preparation of the financial statements of the Company at any time during the past three years. Members of the Audit Committee shall receive no compensation other than payment for board or committee service. The Chairman of the Audit Committee shall be designated by the Board of Managers or, if no such designation is made, shall be selected by the majority vote of the Audit Committee.
- II. *Purposes of the Audit Committee:* The purposes of the Audit Committee are assisting the Board of Managers in fulfilling its oversight over:
1. the integrity of the financial statements, internal accounting, financial controls, disclosure controls and financial reporting processes of the Company;
  2. the independent auditor's qualifications and independence, who shall be directly accountable to the Board of Managers and the Audit Committee as the representatives of the Company's limited partners;
  3. the Company's compliance with legal and regulatory requirements; and
  4. the performance of the independent auditors and the company's internal audit function (if applicable).
- The Audit Committee will primarily fulfill the foregoing purposes by carrying out the duties enumerated in Article IV of this Charter.
- III. *Meetings of the Audit Committee:* In addition to such meetings of the Audit Committee as may be required to discuss the matters set forth in Article IV, the Audit Committee should meet separately at least quarterly with management, the internal auditor (if applicable) and the independent auditors; and as a Committee, to discuss any matters that the Audit Committee or any of these persons or firms believe should be discussed privately. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditors to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. Members of the Audit Committee may participate in a meeting of the Audit Committee by means of conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other.

IV. *Duties and Powers of the Audit Committee:* To carry out its purposes, the Audit Committee shall have the following duties and powers:

1. with respect to the independent auditors,
  - (i) to appoint, determine funding for, and oversee the independent auditors (including resolving disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work;
  - (ii) to require that the independent auditors prepare and deliver annually a formal written statement delineating all relationships between the independent auditors and the Company ( *Statement as to Independence* ) and the potential impact any such relationship may have on the independence of the independent auditors, and to take, or recommend that the Board of Managers take, appropriate action in response to the *Statement as to Independence* as necessary to oversee the independence of the independent auditors;
  - (iii) to pre-approve all auditing services and permitted non-audit services;
  - (iv) to discuss a formal written statement, received from the independent auditors annually, of the fees billed for each of the following categories of services rendered by the outside auditors: (i) the audit of the Company's annual financial statements for the most recent fiscal year and the discussions of the financial statements included in the Company's Quarterly Reports on Form 10-Q for that fiscal year; (ii) tax services for the most recent fiscal year, in the aggregate and by each service, and (iii) all other services rendered by the independent auditors for the most recent fiscal year, in the aggregate and by each service;
  - (v) to consider the effect of the independent auditors' provision of (a) tax services (b) other non-audit services to the Company on the independence of the auditors (it being understood that the Audit Committee will rely on the accuracy of the information provided by the independent auditors as to the services provided and the fees paid and will rely on the representations of management in connection with such consideration);
  - (vi) to instruct the independent auditors that the independent auditors are ultimately responsible to, and shall report directly to, the Audit Committee; and
  - (vii) at least annually, to receive a report by the independent auditors describing:
    - the firm's internal quality-control procedures;
    - any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried on by the firm, and any steps taken to deal with any such issues; and
    - all relationships between the independent auditors and the Company in order to assess the auditors' independence.
  - (viii) to assess the independent auditor's qualifications, performance and independence, including the opinions of management and the internal auditor (if applicable). Audit firm rotation (including discussing industry

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qualifications of other major accounting firms) and lead partner rotation should also be discussed. The results of the process of the two preceding sentences should be reported to the Board of Managers.

2. with respect to financial reporting processes, principles and policies and internal controls and procedures,

(i) to advise management and the independent auditors that they are expected to provide to the Audit Committee a timely analysis of significant financial reporting issues and practices;

to consider any reports or communications (and management's responses thereto) submitted to the Audit Committee by the independent auditors required by or referred to in Statements on Auditing Standards 61, as may be modified or supplemented;

(ii) to review and approve all related-party transactions of the Company;

(iii) to discuss reports from the independent auditors on;

all critical accounting policies and practices to be used;

all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors; and

other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences;

(iv) to meet with management and the independent auditors:

to discuss the scope of the annual audit;

to discuss the interim financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations with management and the independent auditors prior to the filing of the Company's Quarterly Report on Form 10-Q;

to discuss the interim financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations with management and the independent auditors prior to the filing of the Company's Annual Report on Form 10-K (or the Annual Report to Limited Partners if distributed prior to the filing of Form 10-K), including discussing their judgment about the quality, not just the acceptability, of accounting principles, the reasonableness of significant changes, and the clarity of disclosures in the financial statement;

to discuss the audited financial statements;

to discuss any significant matters, including any significant disagreements with management, arising from any audit or report or communication referred to in item 2(ii) above, whether raised by management or the independent auditors, relating to the Company's financial statements;

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to discuss the form of opinion the independent auditors propose to render to the Board of Managers and limited partners;

to discuss significant changes to the Company's auditing and accounting principles, policies, controls, procedures and practices proposed or contemplated by the independent auditors or management;

to inquire about significant business risks and exposures, if any, and the steps taken to manage and monitor and minimize such risks;

to discuss with management and the independent auditors, at the conclusion of the annual audit, significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls, the development, selection and disclosure of critical accounting estimates, and analyses of the effect of alternate assumptions, estimates or GAAP methods on the Company's financial statements;

to receive reports at least quarterly from the independent auditors, and prior to the filing of its report with the Commission, on the matters referred to in item 2(iv) above; and

to regularly discuss with management and the independent auditors the adequacy and effectiveness of accounting and financial controls;

- (v) to discuss disclosures made to the Audit Committee by the Company's CEO and CFO, during their certification process for the Form 10-K and Form 10-Q, about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls;
- (vi) to obtain from the independent auditors assurance that the audit was conducted in a manner consistent with Section 10A of the Exchange Act which sets forth certain procedures to be followed in any audit of financial statements required under the Exchange Act and assurance that Section 10A(b) of the Exchange Act has not been implicated;
- (vii) to discuss with the Company's outside counsel any significant legal matters that may have a material effect on the financial statements, the Company's compliance policies, including material notices to or inquiries received from governmental agencies;
- (viii) to establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- (ix) discuss earnings, press releases, and financial information provided to analysts and rating agencies, at least generally, but not necessarily in advance of each release of information;

3. with respect to reporting and recommendations,

- (i) to prepare any report or other disclosures, including any recommendation of the Audit Committee, required by the rules of the Commission;
- (ii) to review this Charter at least annually and recommend any changes to the full Board of Managers; and
- (iii) to report its activities to the full Board of Managers on a regular basis and to make such recommendations with respect to the above and other matters as the Audit Committee may deem necessary or appropriate, including recommending to the Board of Managers whether the audited financial statements should be included in the Company's Form 10-K;

- (iv) to evaluate the Audit Committee on an annual basis.



V. *Resources and Authority of the Audit Committee:* The Audit Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to engage independent auditors for audits, discussions and other procedures and to retain independent counsel and other advisors as it determines necessary to carry out its duties. The Company shall provide the Audit Committee with appropriate funding for these purposes. The Audit Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company, and the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties.

*Limitation of Audit Committee's Role:* While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditors.

**PROXY**

**DORCHESTER MINERALS, L.P.**

**PROXY FOR 2007 ANNUAL MEETING OF LIMITED PARTNERS**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF MANAGERS**

The undersigned hereby appoints each of William Casey McManemin and Preston A. Peak proxy and attorney in-fact with full power of substitution, on behalf and in the name of the undersigned, to represent the undersigned and to vote as specified on the reverse side all common units of Dorchester Minerals, L.P. which the undersigned is entitled to vote at the Annual Meeting of Limited Partners on May 16, 2007 at 10:00 a.m. Central Time at The Dallas Petroleum Club, 2200 Ross Avenue, 39th Floor, Dallas, Texas 75201 or any adjournments or postponements thereof.

**Continued and to be marked, dated and signed on the reverse side**

**and returned in the enclosed envelope or voted telephonically**

2007 ANNUAL MEETING OF LIMITED PARTNERS OF

**DORCHESTER MINERALS, L.P.**

May 16, 2007

10:00 a.m. Central Time

The Dallas Petroleum Club

2200 Ross Avenue, 39th Floor

Dallas, Texas 75201

**PROXY VOTING INSTRUCTIONS**

**MAIL** - Date, sign and mail your proxy card in the Envelope provided as soon as possible.

-OR-

**TELEPHONE** - Call toll-free **1-800-PROXIES** (1-800-776-9437) from any touch-tone telephone

and follow the instructions. Have your proxy card

available when you call.

COMPANY NUMBER  
ACCOUNT NUMBER

You may enter your voting instructions at 1-800-PROXIES up until 11:59 PM Eastern Time the day before the meeting date. Please detach along perforated line and mail in the envelope provided IF you are not voting by telephone.

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x**

1. Election of the nominees listed below as independent managers to the Board of Managers with subsequent appointment to the Advisory Committee.

**NOMINEES:**

.. FOR ALL NOMINEES

- ° Buford P. Berry
- ° Rawles Fulgham
- ° C.W. (Bill) Russell

2. The transaction of such other Business as may properly come before the meeting or any adjournments or postponements of the meeting.

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS INDICATED, WILL BE VOTED FOR THE PROPOSAL LISTED, AND IN THE DISCRETION OF THE PROXIES ON SUCH OTHER MATTERS AS MAY PROPERLY**

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.. WITHHOLD AUTHORITY FOR ALL NOMINEES

**COME BEFORE THE MEETING, INCLUDING, AMONG OTHER THINGS, CONSIDERATION OF ANY MOTION MADE FOR ADJOURNMENT OR POSTPONEMENT OF THE MEETING.**

.. FOR ALL EXCEPT

(See instructions below)

**INSTRUCTION: To withhold authority to vote for any individual**

**nominee(s), mark FOR ALL EXCEPT**

**and fill in the circle next to each nominee you**

**wish to withhold, as shown here:**

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To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of L.P.

Date:

Signature of L.P.

Date:

**Note:** Please sign exactly as your name or names appear on this Proxy. When units are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.